National Aeronautics and Space Administration
Goddard Space Flight Center

NO. 04-06	
DATE 11/6/2003	
DISTRIBUTION	
GREENBELT ONLY	*
WALLOPS ONLY	*
GSFC	* A
CONTRACTORS	**

ANNOUNCEMENT

SUBJECT: FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) AND FLEXIBLE SPENDING ACCOUNT (FSA) OPEN SEASONS

HEALTH BENEFITS

The Open Season begins on November 10, 2003, and ends on December 8, 2003. During Open Season, you have the opportunity to enroll, change from one health plan or option to another, or move from self-only to self and family enrollment status. All open season changes and deductions will become effective on January 11, 2004.

Due to the availability of the FEHB (premium) Guides on OPM's website at www.opm.gov/insure/health, OPM will no longer print any FEHB Guides. Therefore, we will not be distributing copies to each employee. All plans will send brochures directly to their current enrollees. Beginning November 1, 2003, all plan brochures have been available on OPM's website and a limited number of brochures will be available for review in the Employee Services Center, Building 1, Room 139.

SIGNIFICANT CHANGES

If you are currently enrolled in the FEHB Program, be sure to review the brochure carefully, to see if there are any changes in the plan's service area that would require any action on your part, especially if you are enrolled in a Health Maintenance Organization. NOTE: Below is a list of plans that will have significant benefit changes in 2004.

- Aetna Health Fund (Consumer Driven Plan) is a new plan entering the program for 2004. This plan is a fee-for-service plan that offers you greater control over your health care expenses. You decide what health care services will be reimbursed under the health plan funded Personal Care Account (PCA). Unused funds from the PCA will roll over at the end of the year. If you spend the entire PCA fund before the end of the year, then you must satisfy a member responsibility/deductible before benefits are payable under the traditional type of insurance covered by your Plan. You decide whether to use a PPO or Non-PPO provider to reach the maximum dollar amount allowed under your PCA. Additional information on this Option is in the 2004 Aetna Health Fund plan brochure.
- Aetna Health, Inc. is expanding its service area to include the following cities in Virginia: Colonial Heights, Hopewell, Petersburg, and Richmond, the following counties in Virginia: Amelia, Charles City, Charlotte, Chesterfield, Cumberland, Dinwiddie, Goochland, Hanover, Henrico, King William, Lunenburg, New Kent, Nottoway, Powhatan, Prince Edward, Prince George, Surry, and Sussex, and partial towns in Buckingham County: Arvonia, Buckingham, Dillwyn, and New Canton.

PLEASE POST AND CIRCULATE THIS ANNOUNCEMENT

DISTRIBUTION CODES:

*A (Civil Service) – GSFC Employees
*B (Civil Service) – GSFC Section Level and Above
*C (Civil Service) – GSFC Branch Level and Above
*D (Civil Service) – GSFC Division Level and Above

**A (Contractor) – Contractor and Other Employees
**B (Contractor) – Contractor and Other Offices

- Aetna Health, Inc. is reducing their servicing area, which affects the following county in Maryland: Worcester County. Enrollees in the area being dropped who do not change health plans during the open season will have to travel to their plan's remaining service area to obtain medical care in order to receive full benefits from the plan in 2004.
- Alliance Health Benefit Plan is dropping out of the FEHB Program for 2004. Enrollees enrolled in this plan *must* choose a new health plan during open season.
- MVP Healthcare is expanding its service area to include the following counties in New York: Cayuga and Oswego.
- MDIPA is expanding its service area to include the following counties in Virginia: Charlotte, Fluvanna, Lunenburg, Prince Edward, and Rockingham, and the city of Harrisonburg.
- Health Plan of the Upper Ohio Valley is expanding its service area to include the following county in West Virginia: Randolph County.

HEALTH BENEFITS FAIR

The Career Development and Employee Worklife Office is hosting its annual Health Benefits Fair. It will be held on Wednesday, November 19, 2003, in Building 1, Room E100D/E, from 11:00 a.m. to 2:00 p.m. Representatives will be invited from all area plans to answer employee questions at that time. If you are considering changing plans or have questions about your plan's benefits, we suggest that you and/or your spouse attend the Health Benefits Fair.

HOW TO ENROLL

PLEASE REMEMBER: to change plans or enroll for the first time, please initiate an Open Season enrollment change using Employee Express (EE). The EE change MUST be completed by the close of business on December 8, 2003. *No hard-copy forms are necessary for these transactions, and the health plan is notified immediately. Therefore, u will get your enrollment cards before the effective date of the coverage.*

Employee Express is a great way to make health benefit changes without submitting any paperwork. Your Social Security Number and EE PIN are required to gain access to this system. You can now request a duplicate PIN on the website at www.employeeexpress.com and receive it within 1 business day! You can also call EE to request a duplicate at 478-757-3169 from work (478-757-3117 TDD) or 1-800-571-3453 from home. You can customize the PIN to suit your needs and use it immediately. You can also receive a confirmation from EE either by mail, fax, or e-mail, to use as proof of enrollment until you receive your member cards from the health carrier.

PLAN SELECTION ASSISTANCE

NASA is again providing an FEHB on-line service that you can use to request information and determine the best plans to meet your needs. This year, the service is provided through Plan Smart Choice.

The Plan Smart Choice site is accessible through the Employee Express site.

You can go to www.employeeexpress.gov and log in with your SSN and PIN.

Once you have logged in, on the Main Menu, you will see a section in the lower left corner called "Related Sites".

Under this section you will see a link described as "FEHB Plan Comparison Website – PlanSmartChoice"

After clicking on this link and clicking on "Yes" for the Employee Express page "You are leaving Employee Express", the PlanSmartChoice site will be launched.

If you have access to the Internet, you may retrieve the health plan brochures at any time beginning November 10, 2003, through OPM's website at www.opm.gov/insure/health. These brochures are identical to the hard copies received directly from the carrier. In addition to plan brochures, you may also retrieve information on topics such as: the FEHB Open Season, FEHB Premium Conversion, Long Term Care, the FSA program and open season, the Patient Bill of Rights, and the Mental Health and Substance Abuse Parity.

FLEXIBLE SPENDING ACCOUNT (FSA) PROGRAM

The Open Season begins on November 10, 2003, and ends on December 8, 2003.

The Federal Flexible Benefits Plan ("FedFlex") which follows Section 125 of the Internal Revenue Service Code, enables eligible employees to pay for certain health and dependant care expenses with pre-tax dollars. Enclosed is extensive information regarding the FSA.

FedFlex offers two FSA options. During this open season, you can enroll in one or both of the following accounts:

- A Health Care FSA [HCFSA], through which you can use pre-tax allotments to pay for certain health care expenses that are not reimbursed by any other source and not claimed on your income tax return. There is an annual amount of $3,000 permitted per family.

- A Dependent Care FSA [DCFSA], through which you may use pre-tax allotments to pay for eligible dependent care expenses up to a maximum annual reimbursement of $5,000 ($2,500 if you are married and filing a separate income tax return).

HOW TO ENROLL

You may enroll in the FSA Program in one of two ways. Beginning November 10, 2003, you may access the SHPS website at www.fsafeds.com or call the toll-free number (1-877-FSAFEDS or 1-877-372-3337) to speak to a Customer Service Representative who will ask a series of questions and enroll you over the phone.

If you have any questions concerning the FEHB and FSA Open Seasons or Programs, please contact Nickeisha Hamilton at 301-286-8208.

Dianne M. Hagerty

Arletta R. Love
Chief, Career Development and Employee Worklife Office

Enclosure

The Federal Flexible Spending Account Program

OPM wants to be sure you know about two new Federal programs that complement the FEHB Program. First, the **Flexible Spend Account (FSA) Program,** also known as **FSAFEDS**, lets you set aside tax-free money to pay for health and dependent care expenses. The result can be a discount of 20 to more than 40 percent on services you routinely pay for out-of-pocket. Second, the **Federal Long Term Care Insurance Program (FLTCIP)** covers long term care costsnot covered under the FEHB Program.

What is an FSA?

It is a tax-favored benefit that allows you to set aside pre-tax money from your paychecks to pay for a variety of eligible expenses. *By using an FSA, you can reduce your taxes while paying for services you would have to pay for anyway, producing a discount that can be over 40%.*

There are two types of FSAs offered by the FSAFEDS Program:

Health Care Flexible Spending Account (HCFSA)

- Covers eligible health care expenses not reimbursed by your FEHB Plan, or any other medical, dental, or vision care plan you or your dependents may have.
- Eligible dependents for this account include anyone you claim on your Federal income tax return as a qualified dependent under the U.S. Internal Revenue Service (IRS) definition and/or with whom you jointly file your Federal income tax return, even if you don't have self and family health benefits coverage. ***Note*.** The IRS has a broader definition of a "family member" than is used under the FEHB Program to provide benefits by your FEHB Plan.
- The maximum amount that can be allotted for the HCFSA is $3,000 annually. The minimum amount is $250 annually.

Dependent Care Flexible Spending Account (DCFSA)

- Covers eligible dependent care expenses incurred so you can work, or if you are married, so you and your spouse can work, or your spouse can look for work or attend school full-time.
- Eligible dependents for this account include anyone you claim on your Federal income tax return as a qualified IRS dependent and/or with whom you jointly file your Federal income tax return.
- The maximum that can be allotted for the DCFSA is $5,000 annually. The minimum amount is $250 annually. **Note**: The IRS limits contributions to a Dependent Care FSA. For single taxpayers and taxpayers filing a joint return, the maximum is $5,000 per year. For taxpayers who file their taxes separately with a spouse, the maximum is $2,500 per year. The limit includes any child care subsidy you may receive.

Enroll during Open Season

You **must make an election** to enroll in an FSA during the FEHB Open Season. Even if you enrolled during the initial Open Season for 2003, you must make a new election to continue participating in 2004. Enrollment is easy.

- Enroll online anytime during Open Season (November 10 through December 8, 2003) at **www.fsafeds.com**.
- Call the toll –free number 1-877-FSAFEDS (372-3337) Monday through Friday, from 9 a.m. until 9 p.m. eastern time and a FSAFEDS Benefit Counselor will help you enroll.

What is SHPS?

SHPS is a third-party administrator hired by OPM to manage the FSAFEDS Program. SHPS is the largest FSA administrator in the nation and will be responsible for enrollment, claims processing, customer service, and day-to-day operations of FSAFEDS.

Who is eligible to enroll?

If you are a Federal employee eligible for FEHB – even if you're not enrolled in FEHB – you can choose to participate in either, or both, of the flexible spending accounts. If you are not eligible for FEHB, you are not eligible to enroll for a Health Care FSA. However, almost all Federal

employees are eligible to enroll for the Dependent Care FSA. The only exception is intermittent (also called when actually employed [WAE]) employees expected to work less than 180 days during the year.
NOTE: FSAFEDS is the FSA Program established for all Executive Branch employees and Legislative Branch employees whose employers signed on. Under IRS law, FSAs are not available to annuitants. In addition, the U.S. Postal Service and the Judicial Branch, among others, are Federal agencies that have their own plans with slightly different rules, but the advantages of having an FSA are the same no matter what agency you work for.

How much should I contribute to my FSA?

Plan carefully when deciding how much to contribute to an FSA. Because of the tax benefits of an FSA, the IRS places strict guidelines on them. You need to estimate how much you want to allocate to an FSA because current IRS regulations require you forfeit any funds remaining in your account(s) at the end of the FSA plan year. This is referred to as the "use-it-or-lose-it" rule. You will have until April 29, 2004 to submit claims for your eligible expenses incurred during 2003 if you enrolled in FSAFEDS when it was initially offered. You will have until April 30, 2005 to submit claims for your eligible expenses incurred from January 1 through December 31, 2004 if you elect FSAFEDS during this Open Season.

The **FSAFEDS Calculator** at www.fsafeds.com will help you plan your FSA allocations and provide an estimate of your tax savings based on your individual situation.

What can my HCFSA pay for?

Every FEHB health plan includes cost sharing features, such as deductibles you must meet before the Plan provides benefits, coinsurance or copayments that you pay when you and the Plan share costs, and medical services and supplies that are not covered by the Plan and for which you must pay. Your HCFSA will reimburse you for such costs when they are for tax deductible medical care for you and your dependents that is NOT covered by this FEHB Plan or any other coverage that you have.

The IRS governs expenses reimbursable by a HCFSA. See Publication 502 for a comprehensive list of tax-deductible medical expenses. **Note: While you will see insurance premiums listed in Publication 502, they are NOT a reimbursable expense for FSA purposes.** Publication 502 can be found on the IRS Web site at http://www.irs.gov/pub/irs-pdf/p502.pdf. If you do not see your service or expense listed in Publication 502, please call an FSAFEDS Benefit Counselor at 1-877-FSAFEDS (372-3337), who will be able to answer your specific questions.

Tax savings with an FSA

An FSA lets you allot money for eligible expenses ***before*** your agency deducts taxes from your paycheck. This means the amount of income that your taxes are based on will be lower, so your tax liability will also be lower. Without an FSA, you would still pay for these expenses, but you would do so using money remaining in your paycheck after Federal (and often state and local) taxes are deducted. The following chart illustrates a typical tax savings example:

Annual Tax Savings Example	**With FSA**	**Without FSA**
If your taxable income is:	$50,000	$50,000
And you deposit this amount into an FSA:	$ 2,000	-$0-
Your taxable income is now:	$48,000	$50,000
Subtract Federal & Social Security taxes:	$13,807	$14,383
If you spend after-tax dollars for expenses:	-$0-	$ 2,000
Your real spendable income is:	$34,193	$33,617
Your tax savings:	$576	-$0-

The Federal Flexible Spending Account Program

Note: This example is intended to demonstrate a typical tax savings based on 27% Federal and 7.65% FICA taxes. Actual savings will vary based upon in which retirement system you are enrolled (CSRS or FERS), as well as your individual tax situation. In this example, the individual received $2,000 in services for $1,424, a discount of almost 36%. You may also wish to consult a tax professional for more information on the tax implications of an FSA.

Tax Credits and Deductions

You *cannot* claim expenses on your Federal income tax return if you receive reimbursement for them from your HCFSA or DCFSA. Below are some guidelines that may help you decide whether to participate in FSAFEDS.

Health Care Expenses

The HCFSA is tax-free from the first dollar. In addition, you may be reimbursed from the HCFSA at any time during the year for expenses up to the annual amount you've elected to contribute.

Only health care expenses exceeding 7.5% of your adjusted gross income are eligible to be deducted on your Federal income tax return. Using the example listed in the above chart, only health care expenses exceeding $3,750 (7.5% of $50,000) would be eligible to be deducted on your Federal income tax return. In addition, money set aside through a HCFSA is also exempt from FICA taxes. This exception is not available on your Federal income tax return.

Dependent Care Expenses

The DCFSA generally allows many families to save more than they would with the Federal tax credit for dependent care expenses. Note that you may only be reimbursed from the DCFSA up to your current account balance. If you file a claim for more than your current balance, it will be held until additional payroll allotments have been added to your account.

Visit www.fsafeds.com and download the Dependent Care Tax Credit Worksheet from the Quick Links box to help you determine what is best for your situation. You may also wish to consult a tax professional for more details.

Does it cost me anything to participate in FSAFEDS?

Probably not. While there is an administrative fee of $4.00 per month for an HCFSA and 1.5% of the annual election for a DCFSA, most agencies have elected to pay these fees out of their share of employment tax savings. To be sure, check the FSAFEDS.com web site or call 1-877-FSAFEDS (372-3337). Also, remember that participating in FSAFEDS can cost you money if you don't spend your entire account balance by the end of the plan year and wind up forfeiting your end of year account balance, per the IRS "use-it-or-lose-it" rule.

Contact us

To find out more or to enroll, please visit the **FSAFEDS web site** at **www.fsafeds.com**, or contact SHPS by email or by phone. SHPS Benefit Counselors are available from 9:00 a.m. until 9:00 p.m. eastern time, Monday through Friday.

- E-mail: fsafeds@shps.net
- Telephone: 1-877-FSAFEDS (372-3337)
- TTY: 1-800-952-0450 (for hearing impaired individuals that would like to utilize a text messaging service)